

ORANGE COUNTY OFFICE MARKET

Q1 2024



ECONOMIC SNAPSHOT FOR ORANGE COUNTY

UNEMPLOYMENT RATE 4.1%
INFLATION RATE 4.0%

OFFICE SNAPSHOT

Q1 NET ABSORPTION SF 96,643
VACANCY RATE 15.0%
UNDER CONSTRUCTION SF 0
SUBLEASE VACANT SF 2,179,370 SF
DIRECT ASKING RATE \$2.81/SF

Orange County Overview: Demand Driven by Renewals

Orange County had positive 96,643 SF of net absorption in Q1 2024, however this was 61.7% lower than the previous quarter. Demand stemmed from many financial services tenants renewing their Class A footprints in the Irvine/Newport Beach area. The largest deal of Q1 2024 was a 51,000 SF new lease signed by Symple Lending at 3351 Michelson Dr, a trophy office campus in Irvine. Leasing activity will remain expiration-driven in the coming quarters.

As demand for quality space has risen, so has rent growth. Class A asking rents have increased 5.6% year-over-year to \$3.09 per SF. Firms have pursued trophy-grade space with the goal of incentivizing workers to return to the office. Asking rents for Class A properties will continue to increase as there is 0 SF under construction, the first time since the Global Financial Crisis in 2008.

Sales volume totaled just \$84 million in Q1 2024, down 76.5% year-over-year and 81% below the five-year quarterly average for Orange County. The largest purchase was by New American Funding, who acquired 1 MacArthur Place in Santa Ana for \$31 million, a 42.6% discount from the building's last sale of \$54 million in 2019. The 'reset' of office property values will continue in Orange County in the coming quarters as many owners will begin to undergo distressed sales at bargains for investors.

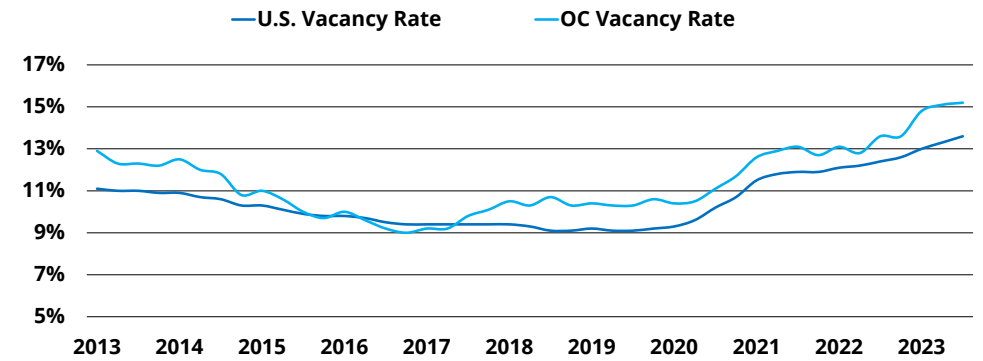
Trendlines

	Q1 2024	Q1 2023	One-Year Trend	Five-Year Average	12-Month Forecast
Unemployment Rate	4.1%	3.2%	↑	4.9%	↑
Net Absorption (Thousands SF)	96.6	(1379.7)	↑	(140.6)	↔
Overall Vacancy Rate	15.0%	14.8%	↑	12.6%	↑
Overall Vacant SF (MSF)	19.5	19.3	↑	16.3	↑
Under Construction (MSF)	0.0	0.2	↓	0.8	↔
Asking Rent, Full Service (PSF)	\$2.81	\$2.67	↑	\$2.73	↔
Sales Volume (Millions)	\$84.7	\$360	↓	\$444.9	↔

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

Overall Vacancy Rate

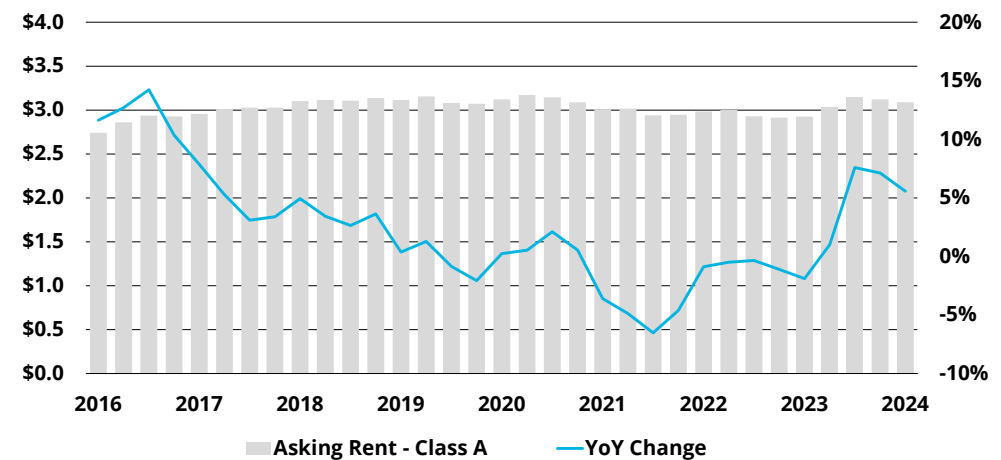
Orange County | Q1 2024



Source: CoStar, Transwestern

Asking Rents | Class A

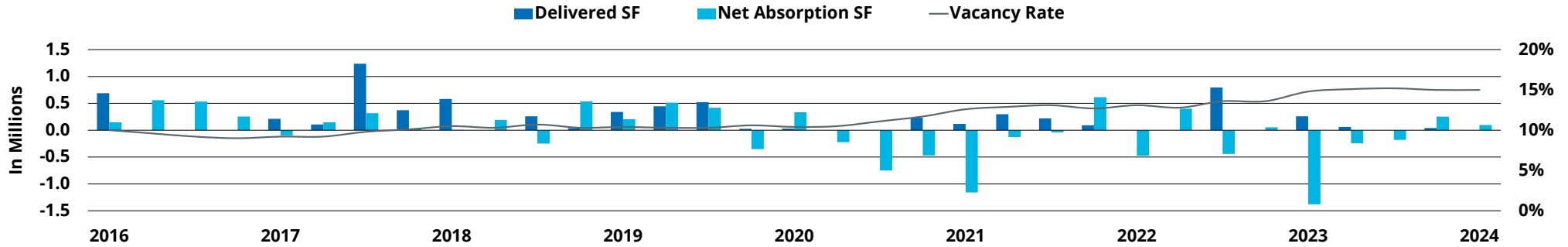
Orange County | Q1 2024



Source: CoStar, Transwestern



Delivery Impact on Key Indicators



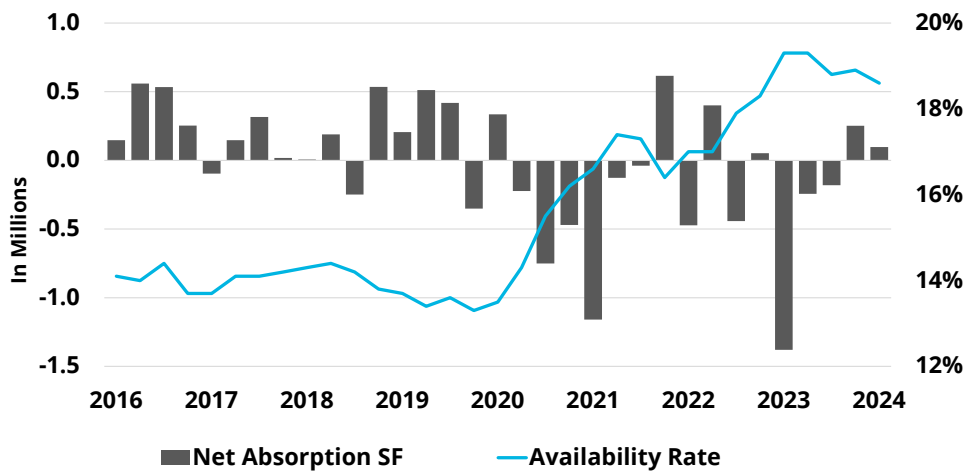
Source: CoStar, Transwestern

Market Indicators All Classes of Space | Q1 2024

Submarket	Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Overall Vacancy Rate	Under Construction SF	Net Absorption SF	Asking Rent PSF, Full Service
Greater Airport Area	50,996,061	7,518,719	14.7%	17.5%	0	(316,623)	\$3.12
Central County	26,143,205	3,762,767	14.4%	17.3%	0	116,915	\$2.57
North County	16,286,219	1,280,647	7.9%	11.2%	0	41,351	\$2.65
South County	30,666,041	4,376,597	14.3%	19.0%	0	227,498	\$3.04
West County	11,500,599	944,459	8.2%	10.2%	0	27,502	\$2.65
TOTAL	135,592,125	17,883,189	11.9%	15.0%	0	96,643	\$2.81

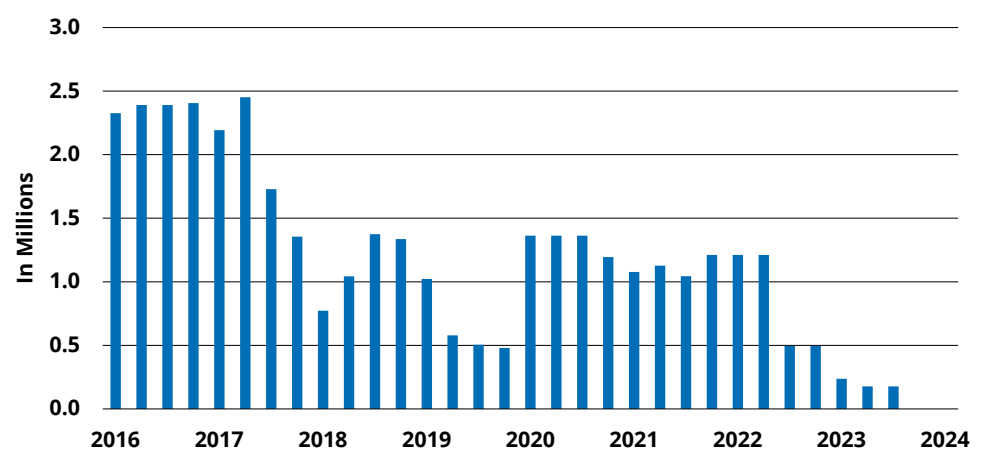
Source: CoStar, Transwestern

Net Absorption & Availability



Source: CoStar, Transwestern

Under Construction



Source: CoStar, Transwestern

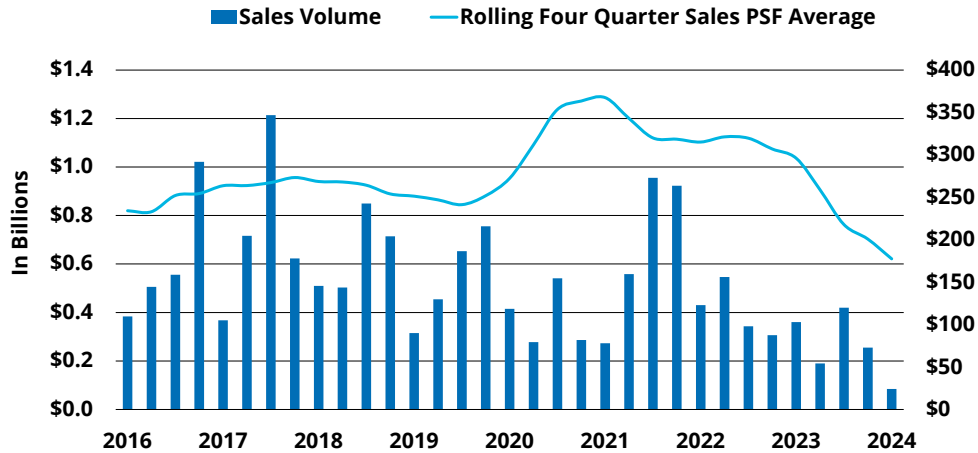


Notable Sales

Tenant	Submarket	Sales Price	Building SF	Price PSF	Buyer	Seller
1 MacArthur Pl	Central County	\$31,050,000	208,257	\$149	New American Funding	Ocean West Capital Partners
2700 N Main St	Central County	\$18,600,000	120,560	\$154	Core Development Group	PRES Companies
2485 McCabe Way	Greater Airport Area	\$11,200,000	20,772	\$539	DTMM Properties LLC	Bassman Family Trust
2729 Bristol St	Greater Airport Area	\$6,650,000	18,133	\$367	Elevated Health Inc	Jae D. Oh
1915 W Orangewood Ave	Central County	\$4,240,000	36,260	\$117	Brian McMillan	Providence Capital Group, Inc
1835 W Orangewood Ave	Central County	\$4,010,000	36,260	\$111	Brian McMillan	Providence Capital Group, Inc

Source: CoStar, Transwestern

Sales Volume



Source: CoStar, Real Capital Analytics, Transwestern

Notable Leases

Tenant	Address	Submarket	Type	SF Leased
Symple Lending	3351 Michelson Dr	Greater Airport Area	New	51,629
LPA, Inc	5301 California Ave	Greater Airport Area	Renewal	44,940
BSH Home Appliances Corp	1901 Main St	Greater Airport Area	Renewal	44,940
Consumer Portfolio Services, Inc	19540 Jamboree Rd	Greater Airport Area	Renewal	38,898
Tax Rise Inc	19900 MacArthur Blvd	Greater Airport Area	Renewal	38,717
KPMG	20 Pacifica	South County	Renewal	34,585

Source: CoStar, Transwestern

RESEARCH METHODOLOGY

The information in this report is a compilation of single- and multi-tenant office properties 10,000 SF and larger in Orange County. Medical offices and government-owned buildings are excluded from analysis.

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